

***PACE CHARTER SCHOOL
OF HAMILTON***

***COMPREHENSIVE ANNUAL
FINANCIAL REPORT***

FISCAL YEAR ENDED JUNE 30, 2012

***PACE CHARTER SCHOOL
OF
HAMILTON***

***Pace Charter School of Hamilton
Board of Trustees
Hamilton, New Jersey***

***Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2012***

***COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
PACE CHARTER SCHOOL OF HAMILTON
HAMILTON, NEW JERSEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2012***

***Prepared by
Pace Charter School of Hamilton
Finance Department***

***And
Barre & Company, CPAs***

STATE BOARD OF EDUCATION

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INTRODUCTORY SECTION

***PACE CHARTER SCHOOL OF HAMILTON
1949 HAMILTON AVENUE
HAMILTON, NEW JERSEY 08619
609-587-2288***

October 3, 2012

Honorable President and
Members of the Board of Trustees
Pace Charter School of Hamilton
County of Mercer
Hamilton, New Jersey 08619

Dear Board Members:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of Pace Charter School of Hamilton (Charter School) for the fiscal year ended June 30, 2012. This CAFR includes the Charter School's Basic Financial Statement prepared in accordance with Governmental Accounting Standards Board Statement 34.

The Charter School has elected to adopt this financial reporting model which we believe will provide all users of this document with much more useful financial and statistical information than ever before. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Trustees (Board).

To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Charter School. This report will provide the taxpayers of Pace Charter School of Hamilton with comprehensive financial data in a format enabling them to gain an understanding of the Charter School's financial affairs.

The Comprehensive Annual Financial Report is presented in four sections as follows:

- The Introductory Section contains a Table of Contents, Letter of Transmittal, List of Principal Officials, and an Organizational Chart of the Charter School;
- The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the Charter School's financial position and operating results, and other schedules providing detailed budgetary information;

- The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the Charter School, generally presented on a multi-year basis;
- The Single Audit Section — The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996, as amended, the U.S. Office of Management and Budget (OMB) Circular A-133, *"Audits of States, Local Governments and Non-Profit Organizations"*, and the New Jersey State Office of Management and Budget (OMB) Circular 04-04, *"Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid"*. Information related to this single audit, including the independent auditor's report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

Charter School Organization

An elected six-member Board of Education (the "Board") serves as the policy maker for the Charter School. The Board adopts an annual budget and directly approves all expenditures which serve as the basis for control over and authorization for all expenditures of Charter School tax money.

The Head of School is the chief executive officer of the Charter School, responsible to the Board for total educational and support operations. The school Business Administrator/Board Secretary is the chief financial officer of the Charter School, responsible to the Board for maintaining all financial records, issuing warrants in payment of liabilities incurred by the Charter School, acting as custodian of all Charter School funds, and investing idle funds as permitted by New Jersey law.

1. REPORTING ENTITY AND ITS SERVICES: Pace Charter School of Hamilton is an independent reporting entity within the criteria adopted by the Government Auditing Standards Board (GASB) as established by Statement No. 14. All funds and account groups of the Charter School are included in this report. Pace Charter School of Hamilton Board of Trustees constitutes the Charter School's reporting entity.

Pace Charter School of Hamilton provides a full range of services appropriate to Kindergarten–Grade 3. These services include regular, as well as special education and basic skills instruction. The Charter School completed the 2011-2012 school year with an enrollment of 117 students. The following details the student enrollment of the Charter School.

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2011-2012	117	-5.83%
2010-2011	112	-6.67%
2009-2010	120	0.00%
2008-2009	120	-3.36%

2. ECONOMIC CONDITION AND OUTLOOK: Pace Charter School of Hamilton continues to experience a period of development and expansion that is expected to continue through the Twenty-First Century. The increasing number of businesses within the community results in an increase in the employment level which results in an increased tax base, both residential and industrial. This expansion is expected to continue which suggests Hamilton will continue to prosper.

3. INTERNAL ACCOUNTING CONTROLS: Management of the Charter School is responsible for establishing and maintaining an internal control designed to ensure that the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- (1) the cost of a control should not exceed the benefits likely to be derived;
- (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the Board of Trustees also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the Charter School's management.

As part of the Charter School's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the Charter School has complied with applicable laws and regulations.

4. BUDGETARY CONTROLS: In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount, as amended for the fiscal year, is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2012.

5. **CASH MANAGEMENT:** The investment policy of the Charter School is guided in large part by state statute as detailed in “Notes to Basic Financial Statement” Note 2. The Charter School had adopted a cash management plan which requires it to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect Government Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

6. **RISK MANAGEMENT:** The Board carries various forms of insurance, including but not limited to general liability, directors and officers insurance and workmen’s compensation.

7. **OTHER INFORMATION:**

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Barre & Company, Certified Public Accountants, was selected by the Board of Trustees. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 and the Single Audit Act Amendment of 1996 and the related OMB Circular A-133, “*Audits of State, Local Governments and Non-Profit Organization*” and State Treasury Circular Letter 04-04 OMB, “*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid.*” The auditors’ report on the basic financial statements and specific required supplemental information is included in the financial section of this report. The auditors’ reports, related specifically to the single audit, are included in the single audit section of this report.

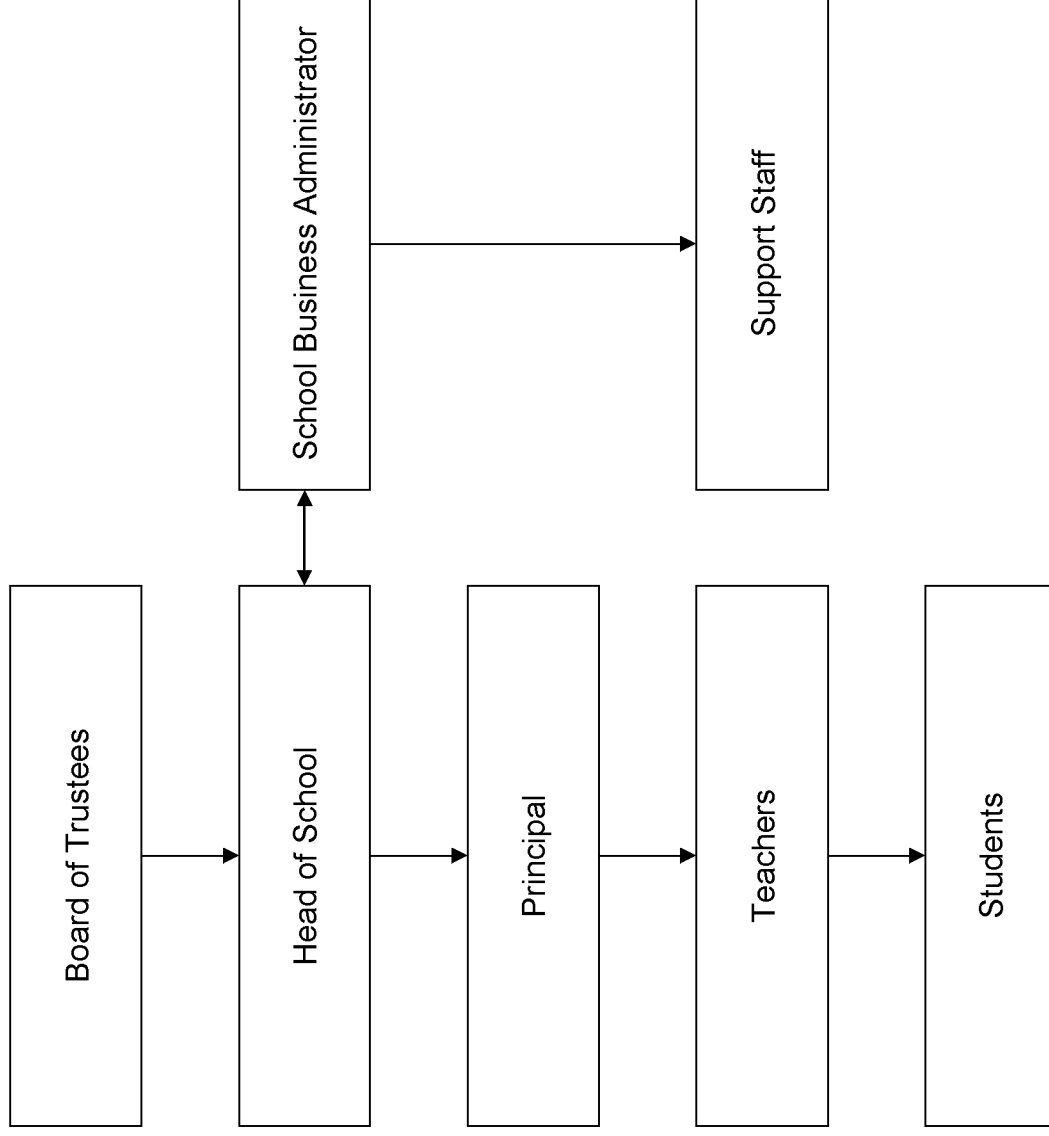
8. **ACKNOWLEDGMENTS:** We would like to express our appreciation to the members of Pace Charter School of Hamilton Board of Trustees for their concerns in providing fiscal accountability to the citizens and taxpayers of the participating school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our business office staff.

Respectfully submitted,

A handwritten signature in black ink, reading "Deborah A. Pontoriero". The signature is fluid and cursive, with the first name "Deborah" being the most prominent part.

Deborah A. Pontoriero
Head of School

PACE CHARTER SCHOOL OF HAMILTON
ORGANIZATIONAL CHART



**PACE CHARTER SCHOOL OF HAMILTON
HAMILTON, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2012**

MEMBERS OF THE BOARD OF TRUSTEES

POSITION

Donald Ryland

President

Marisol Dewitt

Trustee

Ingrid Trotman

Trustee

Lakesha Williams

Trustee

Nicole Pollard-Alford

Trustee

Carmen Chincilla

Trustee

OTHER OFFICIALS

Deborah A. Pontoriero (ex-officio)

Lead Person

Haliie Cokeley

Teacher Representative

**PACE CHARTER SCHOOL OF HAMILTON
HAMILTON, NEW JERSEY**

CONSULTANTS AND ADVISORS

Audit Firm

Barre & Company
Certified Public Accountants
2204 Morris Avenue
Union, NJ 07083

Official Depository

Sun Bank
411 Route 33
Trenton, NJ 08619

Attorney

Parker McCay
1009 Lenox Drive
Building 4E
Lawrenceville, NJ 08648

FINANCIAL SECTION

BARRE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2204 Morris Avenue, Suite 206
Union, New Jersey 07083
(908) 686-3484
FAX – (908) 686-6055

INDEPENDENT AUDITOR'S REPORT

Honorable President
Members of the Board of Trustees
Pace Charter School of Hamilton
County of Mercer
Hamilton, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Pace Charter School of Hamilton (Charter School), in the County of Mercer, State of New Jersey, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Charter School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Pace Charter School of Hamilton, in the County of Mercer, State of New Jersey, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2012 on our consideration of the Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be in considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Information starting on pages 13 and 56, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying introductory section, combining and individual non-major fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *"Audits of States, Local Governments, and Non-Profit Organizations,"* and New Jersey OMB's Circular 04-04, *"Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid,"* respectively, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Richard M. Barre
Licensed Public School Accountant
No. CS-01181
Barre & Company, CPA's

October 3, 2012

REQUIRED SUPPLEMENTARY INFORMATION – PART I

**PACE CHARTER SCHOOL OF HAMILTON
HAMILTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

The discussion and analysis of Pace Charter School of Hamilton's financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 — *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued in June 1999. Certain comparative information between the current year (2011-2012) and the prior year (2010-2011) is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2012 are as follows:

- ❖ General revenues accounted for \$1,627,493 in revenue or 97% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$48,546 or 3% of total revenues of \$1,676,039.
- ❖ The Charter School had \$1,584,211 in expenses; only \$48,546 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$1,627,493 were adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$1,530,888 in revenues and \$1,431,798 in expenditures. The General Fund's fund balance increased \$99,090 over 2011. This increase was anticipated by the Board of Trustees.

**PACE CHARTER SCHOOL OF HAMILTON
HAMILTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(CONTINUED)**

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Pace Charter School of Hamilton as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole Charter School, presenting both an aggregate view of the Charter School's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Charter School's most significant funds with all other non-major funds presented in total in one column. In the case of Pace Charter School of Hamilton, the General Fund is by far the most significant fund.

Reporting the Charter School as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and ask the question, "How did we do financially during 2012?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Charter School's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Charter School as a whole, the financial position of the Charter School have improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

**PACE CHARTER SCHOOL OF HAMILTON
HAMILTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(CONTINUED)**

Statement of Net Assets and the Statement of Activities (Continued)

In the *Statement of Net Assets* and the *Statement of Activities*, the Charter School is divided into two distinct kinds of activities:

- ❖ Governmental activities — All of the Charter School's programs and services are reported here including instruction, administration, support services, and capital outlay.
- ❖ Business-Type Activity — These services are provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

Reporting the Charter School's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the Charter School's funds. The Charter School uses many funds to account for a multitude of financial transactions. The Charter School's governmental funds are the General Fund and Special Revenue Fund.

Governmental Funds

The Charter School's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Charter School's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the *Statement of Net Assets* and the *Statement of Activities*) and governmental funds is reconciled in the financial statements.

**PACE CHARTER SCHOOL OF HAMILTON
HAMILTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(CONTINUED)**

Proprietary Fund

The proprietary fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Charter School-wide and fund financial statements. The notes to the financial statements can be found starting on page 61 of this report.

The Charter School as a Whole

Recall that the *Statement of Net Assets* provides the perspective of the Charter School as a whole. Net assets may serve over time as a useful indicator of a government's financial position.

The Charter School's financial position is the product of several financial transactions including the net results of activities.

The Charter School's combined net assets were \$600,381 for June 30, 2012 and \$508,553 for 2011.

Governmental Activities

The Charter School's total revenues were \$1,631,361 for the year ended June 30, 2012 and \$1,471,216 for 2011, this includes \$102,438 for 2012 and \$74,729 for 2011 of state reimbursed TPAF social security and pension contributions.

The total cost of all program and services was \$1,532,271 for 2012 and \$1,315,500 for 2011. Instruction comprises 36% for 2012 and 44% for 2011 of Charter School expenses.

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services. Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities.

Administration includes expenses associated with administrative and financial supervision of the Charter School.

**PACE CHARTER SCHOOL OF HAMILTON
HAMILTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(CONTINUED)**

Governmental Activities (Continued)

Support services include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development and the costs associated with operating the facility.

Capital Outlay represents school equipment purchased under the \$2,000 threshold.

Business-Type Activity

Revenues for the Charter School's business-type activity (food service program) are comprised of charges for services and federal and state reimbursements.

- ❖ Food service expenses exceeded revenues by \$7,262 for 2012 and by \$898 for 2011.
- ❖ Charges for services represent \$5,594 for 2012 and \$3,095 for 2011 of revenue. This represents amounts paid by patrons for daily food.
- ❖ Federal and state reimbursements for meals, including payments for free and reduced lunches and breakfast were \$39,084 for 2012 and \$37,035 for 2011.

The Charter School's Funds

All governmental funds (i.e., general fund and special revenue fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$1,631,361 for 2012 and \$1,471,216 for 2011 and expenditures were \$1,532,271 for 2012 and \$1,315,500 for 2011. The net change in fund balance for the year was most significant in the general fund, an increase of \$99,090.

As demonstrated by the various statements and schedules included on the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2012, and the amounts and percentages of increases and decreases in relation to prior year amounts.

**PACE CHARTER SCHOOL OF HAMILTON
HAMILTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(CONTINUED)**

The Charter School's Funds (Continued)

<u>Revenues</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) From 2011</u>	<u>Percent of Increase/ (Decrease)</u>
Local Sources	\$ 263,753	16.17%	\$ (35,653)	-11.91%
State Sources	1,267,135	77.67%	199,930	18.73%
Federal Sources	100,473	6.16%	(4,132)	-3.95%
Total	<u>\$ 1,631,361</u>	<u>100.00%</u>	<u>\$ 160,145</u>	

The following schedule represents a summary of the expenditures of the governmental funds for the fiscal year ended June 30, 2012, and the amounts and percentages of increases in relation to prior year amounts.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) From 2011</u>	<u>Percent of Increase/ (Decrease)</u>
Instruction	\$ 472,566	30.84%	\$ 12,681	2.76%
Administration	545,875	35.63%	35,751	7.01%
Support Services	513,830	33.53%	168,338	48.72%
Capital Outlay	-	0.00%	-	0.00%
Total	<u>\$ 1,532,271</u>	<u>100.00%</u>	<u>\$ 216,770</u>	

Changes in expenditures were the results of varying factors.

General Fund Budgeting Highlights

The Charter School's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

**PACE CHARTER SCHOOL OF HAMILTON
HAMILTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(CONTINUED)**

General Fund Budgeting Highlights (Continued)

Over the course of the year, the Charter School revised the annual operating budget several times. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over-expenditures in specific line item accounts.

For the Future

Pace Charter School of Hamilton is in good financial condition presently. The Charter School is proud of its community support. A major concern is the continued enrollment growth of the Charter School with the increased reliance on federal and state funding.

In conclusion, Pace Charter School of Hamilton has committed itself to financial excellence for many years. In addition, the Charter School's system for financial planning, budgeting, and internal financial controls are well regarded. The Charter School plans to continue its sound fiscal management to meet the challenge of the future.

Contacting the Charter School's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, contact Ms. Deborah A. Pontoriero, School Business Administrator at Pace Charter School of Hamilton, 1949 Hamilton Avenue, Hamilton, New Jersey 08619. Please visit our website at <http://www.pacecharterschool.com/>.

BASIC FINANCIAL STATEMENTS

SECTION A – DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities display information about the Charter School. These statements include the financial activities of the overall Charter School, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the Charter School.

PACE CHARTER SCHOOL OF HAMILTON

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 647,361	\$ 182	\$ 647,543
Interfund Receivables			-
Receivables	8,564	2,176	10,740
Total Assets	655,925	2,358	658,283
LIABILITIES:			
Interfund Payable	4,017	10,027	14,044
Payable to State Government	36,858		36,858
Accounts Payable	7,000		7,000
Total Liabilities	47,875	10,027	57,902
NET ASSETS:			
Unrestricted	608,050	(7,669)	600,381
Total Net Assets	\$ 608,050	\$ (7,669)	\$ 600,381

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

PACE CHARTER SCHOOL OF HAMILTON

Statement of Activities

For The Fiscal Year Ended June 30, 2012

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes In Net Assets		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES:								
Instruction	\$ 472,566	\$ 77,104	\$ -	\$ 3,868	\$ -	\$ (545,802)	\$ -	\$ (545,802)
Administration	355,534	51,132				(406,666)		(406,666)
Support Services	513,830	62,105				(575,935)		(575,935)
Total Governmental Activities	1,341,930	190,341	-	3,868	-	(1,528,403)	-	(1,528,403)
BUSINESS-TYPE ACTIVITIES:								
Food Service	51,940		5,594	39,084			(7,262)	(7,262)
Total Business-Type Activities	51,940		5,594	39,084	-	-	(7,262)	(7,262)
Total Primary Government	\$ 1,393,870		\$ 5,594	\$ 42,952	\$ -	\$ (1,528,403)	\$ (7,262)	\$ (1,535,665)
GENERAL REVENUES								
General Purposes						\$ 263,753	\$ -	\$ 263,753
Federal and State Aid Not Restricted						1,363,740		1,363,740
Total General Revenues						1,627,493	-	1,627,493
Change in Net Assets						99,090	(7,262)	91,828
Net Assets - Beginning						508,960	(407)	508,553
Net Assets - Ending						\$ 608,050	\$ (7,669)	\$ 600,381

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

SECTION B – FUND FINANCIAL STATEMENTS

The Individual Fund statements and schedules present more detailed information for the individual fund in a format that segregates information by fund type.

GOVERNMENTAL FUNDS

PACE CHARTER SCHOOL OF HAMILTON
 Governmental Funds
 Combining Balance Sheet
 June 30, 2012

	General Fund	Special Revenue Fund	Total
ASSETS:			
Cash and Cash Equivalents	\$ 349,638	\$ 297,723	\$ 647,361
Interfund Receivables	293,706		293,706
Receivables from Other Governments	8,564		8,564
Prepaid Expenses			
Total Assets	<u>\$ 651,908</u>	<u>\$ 297,723</u>	<u>\$ 949,631</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Interfund Payables	\$ -	\$ 297,723	\$ 297,723
Payables to State Government	36,858		36,858
Accounts Payable	7,000		7,000
Total Liabilities	<u>43,858</u>	<u>297,723</u>	<u>341,581</u>
Fund Balances:			
Unreserved:			
General Fund	<u>608,050</u>		<u>608,050</u>
Total Fund Balances	<u>608,050</u>	<u>-</u>	<u>608,050</u>
Total Liabilities and Fund Balances	<u>\$ 651,908</u>	<u>\$ 297,723</u>	

Amounts reported for *governmental activities* in the statement of
 net assets (A-1):

Net Assets of Governmental Activities

-
<u>\$ 608,050</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

PACE CHARTER SCHOOL OF HAMILTON
 Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Fiscal Year Ended June 30, 2012

	General Fund	Special Revenue Fund	Total
REVENUES:			
Local Sources:			
Local Tax Levy	\$ 263,753	\$ -	\$ 263,753
Total Local Sources	263,753	-	263,753
State Sources	1,267,135		1,267,135
Federal Sources		100,473	100,473
Total Revenues	1,530,888	100,473	1,631,361
EXPENDITURES:			
Instruction	395,782	76,784	472,566
Administration	545,875		545,875
Support Services	490,141	23,689	513,830
Total Expenditures	1,431,798	100,473	1,532,271
NET CHANGE IN FUND BALANCES	99,090	-	99,090
FUND BALANCES, JULY 1	508,960	-	508,960
FUND BALANCES, JUNE 30	\$ 608,050	\$ -	\$ 608,050

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

PACE CHARTER SCHOOL OF HAMILTON
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For The Fiscal Year Ended June 30, 2012

Total net change in fund balances - governmental fund (from B-2)	\$ 99,090
Amounts reported for governmental activities in the statement of activities (A-2)	<div style="border-top: 1px solid black; display: inline-block; width: 100px; text-align: center;">-</div>
Change in net assets of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100px; text-align: center;">\$ 99,090</div>

The accompanying Notes to Basic Financial Statements are integral part of this statement.

PROPRIETARY FUNDS

PACE CHARTER SCHOOL OF HAMILTON

Proprietary Fund

Statement of Fund Net Assets

June 30, 2012

	Business Type- Activities
	<u>Food Service</u>
ASSETS:	
Cash and Cash Equivalents	\$ 182
Intergovernmental Accounts Receivable:	
Federal	2,142
State	<u>34</u>
Total Assets	<u>2,358</u>
LIABILITIES:	
Interfund Accounts Payable	<u>10,027</u>
Total Liabilities	<u>10,027</u>
NET ASSETS:	
Unrestricted	<u>(7,669)</u>
Total Net Assets	<u><u>\$ (7,669)</u></u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

PACE CHARTER SCHOOL OF HAMILTON
Proprietary Fund
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Years Ended June 30, 2012

	Business Type- Activities <u>Food Service</u>
OPERATING REVENUES:	
Charges for Services:	
Daily Sales Reimbursable Program	\$ 5,594
Total Operating Revenues	<u>5,594</u>
OPERATING EXPENSES:	
Cost of Sales	<u>51,940</u>
Total Operating Expenses	<u>51,940</u>
OPERATING LOSS	<u>(46,346)</u>
NONOPERATING REVENUES:	
State Source:	
State School Breakfast Program	
State School Lunch Program	630
Federal Source:	
National School Breakfast Program	12,944
National School Lunch Program	<u>25,510</u>
Total Nonoperating Revenues	<u>39,084</u>
CHANGE IN NET ASSETS	(7,262)
TOTAL NET ASSETS, JULY 1	<u>(407)</u>
TOTAL NET ASSETS, JUNE 30	<u><u>\$ (7,669)</u></u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

PACE CHARTER SCHOOL OF HAMILTON
Proprietary Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2012

	Business Type- Activities <u>Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 5,591
Cash Payments to Suppliers and Employees	<u>(92,245)</u>
Net Cash Provided By Operating Activities	<u>(86,654)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Cash Received From State And Federal Reimbursements	<u>39,084</u>
Net Cash Provided By Noncapital Financing Activities	<u>39,084</u>
Net Increase In Cash And Cash Equivalents	(47,570)
Cash And Cash Equivalents, Beginning Of Year	<u>47,752</u>
Cash And Cash Equivalents, End Of Year	<u><u>\$ 182</u></u>
Reconciliation of Operating Loss to Net Cash Provided By Operating Activities:	
Operating Loss Used for Operating Activities	\$ (46,346)
Increase In Receivables From Other Governments	(3)
Increase In Interfund Payable	<u>(40,305)</u>
Net Cash Provided By Operating Activities	<u><u>\$ (86,654)</u></u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

FIDUCIARY FUNDS

PACE CHARTER SCHOOL OF HAMILTON
 Fiduciary Funds
 Statement of Fiduciary Net Assets
 June 30, 2012

	Agency Fund
	<hr/>
ASSETS:	
Cash and Cash Equivalents	\$ 465
Interfund Accounts Receivable	<hr/> 14,509
Total Assets	<hr/> \$ 14,974 <hr/>
LIABILITIES:	
Liabilities:	
Cash Overdraft	\$ 6
Interfund Accounts Payable	465
Accrued Salaries and Benefits	<hr/> 14,503
Total Liabilities	<hr/> \$ 14,974 <hr/>

The accompanying Notes to Basic Financial Statements are integral part of this statement.

NOTES TO BASIC FINANCIAL STATEMENTS

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (Board) of Pace Charter School of Hamilton have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the accounting standard-setting body responsible for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

A. Reporting Entity

The Charter School is an instrument of the State of New Jersey, established to function as an educational institution. Its mission is to establish a charter school to serve as a neighborhood resource and as a model for other similar schools. Pace Charter School of Hamilton is committed to achieving the New Jersey Core Curriculum Content Standards and producing high academic achievement by all students. The Charter School will integrate a holistic curriculum, utilize learner center techniques, family and care giver centered approaches, comprehensive community involvement, cutting edge technology and an intimate nurturing environment that will enhance positive self-images.

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, is the degree of oversight responsibility maintained by the Charter School management. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, and ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the Charter School.

B. Basis of Presentation, Basis of Accounting

The Charter School's basic financial statements consist of Charter School-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

Charter School-Wide Statements: The statement of net assets and the statement of activities display information about the Charter School as a whole. These statements include the financial activities of the overall Charter School, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activity of the Charter School. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net assets presents the financial condition of the governmental and business-type activity of the Charter School at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the Charter School and for each function of the Charter School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the Charter School.

Fund Financial Statements: During the fiscal year, the Charter School segregates transactions related to certain Charter School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the Charter School's funds, including its fiduciary funds. Separate statements for each fund category — *governmental*, *proprietary*, and *fiduciary* — are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey Charter Schools to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among Charter School financial reporting models.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting (Continued)

The Charter School reports the following governmental funds:

General Fund: The general fund is the general operating fund of the Charter School and is used to account for all expendable financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment which are classified in the capital outlay sub-fund.

As required by the New Jersey State Department of Education, the Charter School includes budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by Board resolution.

Special Revenue Fund: The special revenue fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund: Not Applicable.

Debt Service Fund: Not Applicable.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting (Continued)

The Charter School reports the following proprietary funds:

Enterprise (Food Service) Fund: The enterprise fund accounts for all revenues and expenses pertaining to the cafeteria operations. The food service fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the Charter School reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the Charter School on behalf of others which includes Net Payroll Fund and Payroll Agency Fund.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

Charter School - wide, Proprietary, and Fiduciary Fund Financial Statements: The financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. The Charter School is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting (Continued)

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All governmental and business-type activities and enterprise funds of the Charter School follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

C. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. Budgets are prepared using the modified accrual basis of accounting except for special revenue funds. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2 (m) 1. All budget amendments/transfers must be approved by School Board resolution. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control (Continued)

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures.

Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles (GAAP) with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The following presents a reconciliation of the special revenue funds from the budgetary basis of accounting to the GAAP basis of accounting:

Total Revenues & Expenditures (Budgetary Basis)	\$ 100,473
Adjustments:	
Less Encumbrances at June 30, 2012	-
Plus Encumbrances at June 30, 2011	-
Total Revenues and Expenditures (GAAP Basis)	<u>\$ 100,473</u>

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Encumbrances Accounting

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds, other than the special revenue fund, are reported as reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund for which the Charter School has received advances are reflected in the balance sheet as deferred revenues at fiscal year end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

E. Assets, Liabilities, and Equity

Interfund Transactions:

Transfers between governmental and business-type activities on the Charter School - wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Inventories:

Inventory purchases, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase. Enterprise fund inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Allowance for Uncollectible Accounts:

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

Capital Assets:

The Charter School has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The Charter School does not possess any infrastructure. The capitalization threshold used by Charter Schools in the State of New Jersey is \$2,000.

All reported capital assets except for land are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Office & Computer Equipment	10-15
Instructional Equipment	10
Grounds Equipment	15

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlement received before the eligibility requirements are met are also recorded as deferred revenue.

PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Accrued Liabilities and Long-Term Obligations:

All payables, accrued liabilities, and long-term obligations are reported on the Charter School - wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Net Assets:

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through restrictions adopted by the Charter School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Charter School's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance Reserves:

The Charter School reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

Revenues — Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Charter School, available means within sixty days of the fiscal year end.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Non-exchange transactions, in which the Charter School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Charter School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Charter School on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: interest and tuition.

Operating Revenues and Expenses:

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the Charter School, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

Allocation of Indirect Expenses:

The Charter School reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Extraordinary and Special Items:

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

Management Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Accrued Salaries and Wages:

Certain Charter School employees who provide services to the Charter School over the ten-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account.

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents includes amounts in deposits, money market accounts and short-term investments with original maturities of three months or less.

Investments are stated at cost, or amortized cost, which approximates market. The amortized cost method involves valuing a security at its cost on the date of purchase and thereafter assuming a constant amortization to maturity of any discount or premium. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 3 requires disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Category 1 includes deposits/investments held by the Board's custodial bank trust department or agent in the Board's name. Category 2 includes uninsured and unregistered deposits/investments held by the Board's custodial bank trust department or agent in the Board's name. Category 3 includes uninsured or unregistered deposits/investments held by a broker or dealer, or held by the Board's custodial bank trust department or agent but not in the Board's name. These categories are not broad representations that deposits or investments are "safe" or "unsafe".

Deposits

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least five percent of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments

New Jersey statutes permit the Board to purchase the following types of securities:

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments (Continued)

- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- c. Bonds or other obligations of the school district.

As of June 30, 2012, cash and cash equivalents of the District consisted of the following:

	General Fund	Special Revenue	Proprietary Fund	Fiduciary Funds	Total
Operating					
Account	\$ 349,638	\$297,723	\$ 182	\$ 459	\$648,002

The investments recorded in the statements have been recorded at amortized cost. In accordance with GASB 31, participating interest earning investment contracts that have a remaining maturity at the time of purchase of one year or less may be reported at amortized cost. For those securities purchased more than one year from the maturity date, the difference between the carrying amount and market value is not material to the Charter school-wide statements. The carrying amount of the Board's cash and cash equivalents at June 30, 2012 was \$648,002 and the bank balance was \$668,181. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes.

Risk Category

All bank deposits, as of the balance sheet date, are entirely insured or collateralized by a collateral pool maintained by public depositories as required by the Governmental Unit Deposit Protection Act. In general, bank deposits are classified as to credit risk by three categories described below:

Category 1 — Insured or collateralized with securities held by the Board or by its agent in the Board's name.

Category 2 — Collateralized with securities held by the pledging public depository's trust department or agent in the Board's name.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Risk Category (Continued)

Category 3— Uncollateralized, including any deposits that are collateralized with securities held by the pledging public depository, or by its trust department or agent, but not in the Board's name.

As of June 30, 2012, the Board had funds invested and on deposit in checking accounts. These funds constitute "deposits with financial institutions" as defined by GASB Statement No. 3 and are classified as Category 1, both at year-end and throughout the year.

New Jersey Cash Management Fund

All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other-than-State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

As of June 30, 2012, the Charter School had no funds on deposit with the New Jersey Cash Management Fund.

NOTE 3: RECEIVABLES

Receivables at June 30, 2012, consisted of accounts, intergovernmental, grants, and miscellaneous.

All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 3: RECEIVABLES (CONTINUED)

	<u>Governmental Fund Financial Statements</u>	<u>Governmental Wide Financial Statements</u>
State Aid	\$ 8,564	\$ 8,598
Federal Aid	-	2,142
Other	-	-
Gross Receivables	8,564	10,740
Less: Allowance for Uncollectibles	-	-
Total Receivables, Net	<u>\$ 8,564</u>	<u>\$ 10,740</u>

NOTE 4: INTERFUND TRANSFERS AND BALANCES

Transfers between funds are used to repay expenses paid by another fund.

The following interfund balances remained on the fund financial statements at June 30, 2012:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 293,706	\$ -
Special Revenue Fund		297,723
Proprietary Fund		10,027
Fiduciary Fund	14,509	465
Total	<u>\$ 308,215</u>	<u>\$ 308,215</u>

NOTE 5: CAPITAL ASSETS

On January 11, 2001, the NJ State Department of Education announced that effective July 1, 2001, the capitalization threshold used by school districts in the State of New Jersey is increased to \$2,000. The previous threshold was \$500. Applying the higher capitalization threshold retroactively (removal of old assets from the General Fixed Assets Account Group) will be permitted by the State regulations in situations where (1) the assets have been fully depreciated, or (2) the assets have exceeded their useful lives. The retirement of machinery and equipment

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 5: CAPITAL ASSETS (CONTINUED)

is due to the retroactive application of the higher threshold of equipment capitalization. That is, the District has removed from their records assets with a historical cost greater than \$500 but not greater than \$2,000 that were fully depreciated or had exceeded their useful lives.

There was no Capital asset activity for the fiscal year ended June 30, 2012.

NOTE 6: RENTAL LEASE

The school has entered into a ten (10) year lease commencing July 1, 2008 and expiring June 30, 2018 with a related party to lease classroom and office space at 1949 Hamilton Avenue, Hamilton, New Jersey based on the following rent schedule:

<u>Years</u>	<u>Amount</u>
1 and 2	\$102,000
3 through 5	\$108,000
6 and 7	\$114,000
8 through 10	\$120,000

The lease is a triple net lease by which the tenant is responsible for real estate taxes, utilities, and all items of maintenance. Total lease payments made during the year ended June 30, 2012 was \$130,029.

NOTE 7: PENSION PLANS

Description of Plans

All required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 7: PENSION PLANS (CONTINUED)

Teachers' Pension and Annuity Fund (TPAF)

The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the District and the system's other related noncontributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System was established as of January 1, 1955 under the provisions of N.J.S.A. 43:1 5A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another State-administered retirement system or other state or local jurisdiction.

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:66 for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 7: PENSION PLANS (CONTINUED)

Vesting and Benefit Provisions (Continued)

credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for two percent of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Significant Legislation

Legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997) changed the asset valuation method from market related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by 1/2 of one percent to 4.5 percent for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the School's normal contributions to the Fund may be reduced based on the revaluation of assets. From fiscal year 1997 to fiscal year 2003, State and local government employers were not required to make contributions to the pension funds. The use of surplus pension assets replaced the annual payments that would otherwise have been made by employers. Subsequent law, P.L.2003, c.108, led to the resumption of contributions, on a phased-in approach. In 2009, employer contributions to PERS were further amended by P.L.2009, c.19.

Contribution Requirements

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of five percent of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 7: PENSION PLANS (CONTINUED)

Contribution Requirements (Continued)

The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a noncontributing employer of TPAF.

Three-Year Trend Information for PERS

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/12	None	100%	None
06/30/11	None	100%	None
06/30/10	None	100%	None

Three-Year Trend Information for TPAF (Paid on-behalf of the District)

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/12	None	100%	None
06/30/11	None	100%	None
06/30/10	None	100%	None

NOTE 8: POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees.

**PACE CHARTER SCHOOL OF HAMILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 8: POST-RETIREMENT BENEFITS (CONTINUED)

As of June 30, 2011, there were 93,323 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in Fiscal Year 2011.

NOTE 9: RISK MANAGEMENT

The Charter School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance

The Charter School maintains commercial insurance coverage for property, liability, student accident, and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

NOTE 10: FUND BALANCE APPROPRIATED

General Fund

The General Fund fund balance of \$608,050 in the fund financial statements at June 30, 2012 is unreserved and undesignated.

NOTE 11: RELATED PARTY TRANSACTIONS

The Charter School leases its school facility from P & G Enterprises, LLC, which is a related party to the School Business Administrator. The lease expires in eight years.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

SECTION C – BUDGETARY COMPARISON SCHEDULES

PACE CHARTER SCHOOL OF HAMILTON
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
REVENUES:					
Local Levy Budget:					
"Local Levy" Local Share-Charter School Aid	\$ 320,136	\$ (56,383)	\$ 263,753	\$ 263,753	\$ -
Total Local Levy Budget	320,136	(56,383)	263,753	263,753	-
Categorical Aid:					
"Local Levy" State Share-Charter School Aid	1,121,917		1,121,917	1,124,772	2,855
Special Education Aid				3,868	3,868
Security Aid				36,057	36,057
Total Categorical Aid	1,121,917	-	1,121,917	1,164,697	42,780
Revenues From Other Sources:					
Reimbursed TPAF Pension					
Contributions (Non-Budgeted)				55,459	55,459
Reimbursed TPAF Social Security					
Contributions (Non-Budgeted)				46,979	46,979
Total Revenues From Other Sources	-	-	-	102,438	102,438
Total Revenues	1,442,053	(56,383)	1,385,670	1,530,888	145,218
EXPENDITURES:					
Instruction:					
Salaries of Teachers	539,766	(282,435)	257,331	257,331	-
Other Salaries for Instruction	33,000	9,600	42,600	42,596	4
Purchased Prof/Tech Services	5,000	24,778	29,778	29,774	4
Other Purchased Services		2,400	2,400	2,400	-
General Supplies	36,000	1,365	37,365	33,480	3,885
Textbooks	24,000	(13,000)	11,000	10,704	296
Miscellaneous	4,000	15,497	19,497	19,497	-
Total Instruction	641,766	(241,795)	399,971	395,782	4,189
Administration:					
Salaries - General Administration	180,000	(64,588)	115,412	115,000	412
Salaries of Secretarial/Clerical Assistants	40,000	43,900	83,900	83,900	-
Total Benefits Cost	174,253	(30,488)	143,765	143,762	3
Purchases Prof/Tech Services	10,400	47,231	57,631	48,569	9,062
Other Purchased Services	24,700	(8,104)	16,596	16,528	68
Communications/Telephone	4,500	6,585	11,085	11,085	-
Supplies and Materials	24,000		24,000	9,940	14,060
Interest on Current Loans					
Miscellaneous Expenses	6,500	8,155	14,655	14,653	2
Total Administration	464,353	2,691	467,044	443,437	23,607

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

PACE CHARTER SCHOOL OF HAMILTON
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
(Continued from Prior Page)					
Support Services:					
Salaries	\$ 74,100	\$ 167,569	\$ 241,669	\$ 241,584	\$ 85
Purchased Prof/Ed Services	24,500	319	24,819	14,460	10,359
Purchased Prof/Tech Services		44,073	44,073	43,956	117
Rental of Land and Buildings	124,050	11,979	136,029	130,029	6,000
Transportation-Other Than To/From School	2,400	2,774	5,174	5,174	-
Insurance for Property, Liability and Fidelity	21,550	(10,285)	11,265	11,265	-
Supplies and Materials	6,000	22,342	28,342	28,330	12
Energy Costs (Heat and Electricity)	15,500		15,500	15,343	157
Miscellaneous Expenses					
Total Support Services	<u>268,100</u>	<u>238,771</u>	<u>506,871</u>	<u>490,141</u>	<u>16,730</u>
Reimbursed TPAF Pension					
Contributions (Non-Budgeted)				55,459	(55,459)
Reimbursed TPAF Social Security					
Contributions (Non-Budgeted)			-	46,979	(46,979)
Total Expenditures	<u>1,374,219</u>	<u>(333)</u>	<u>1,373,886</u>	<u>1,431,798</u>	<u>(2,453)</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	67,834	(56,050)	11,784	99,090	87,306
FUND BALANCE, JULY 1	<u>284,960</u>	<u>(155,166)</u>	<u>129,794</u>	<u>508,960</u>	<u>379,166</u>
FUND BALANCE, JUNE 30	<u>\$ 352,794</u>	<u>\$ (211,216)</u>	<u>\$ 141,578</u>	<u>\$ 608,050</u>	<u>\$ 466,472</u>
Recapitulation of Excess (Deficiency) of Revenues					
Over (Under) Expenditures					
Budgeted Fund Balance	<u>\$ 352,794</u>	<u>\$ (211,216)</u>	<u>\$ 141,578</u>	<u>\$ 608,050</u>	<u>\$ 466,472</u>
Total	<u>\$ 352,794</u>	<u>\$ (211,216)</u>	<u>\$ 141,578</u>	<u>\$ 608,050</u>	<u>\$ 466,472</u>

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

PACE CHARTER SCHOOL OF HAMILTON
Special Revenue Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUE SOURCES:					
Federal	\$ 100,473	\$ -	\$ 100,473	\$ 100,473	\$ -
Total Revenues	100,473	-	100,473	100,473	-
EXPENDITURES:					
Instruction:					
Salaries	20,000	54,000	74,000	74,000	-
Salaries of Teachers	54,000	(54,000)	-	-	-
General Supplies	2,784		2,784	2,784	-
Total Instruction	76,784	-	76,784	76,784	-
Support Services:					
Personal Services - Employee Benefits	14,800		14,800	14,800	-
Purchased Technical Services	8,619	270	8,889	8,889	-
Other Purchased Services	270	(270)	-	-	-
Total Support Services	23,689	-	23,689	23,689	-
Total Expenditures	100,473	-	100,473	100,473	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

PACE CHARTER SCHOOL OF HAMILTON
 Budgetary Comparison Schedule
 Budget-To-GAAP Reconciliation
 Note to RSI
 For the Fiscal Year Ended June 30, 2012

Note A - Explanation of differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	[C-1] \$ 1,530,888	[C-2] \$ 100,473
 Difference - Budget to GAAP Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized	 <u>-</u>	 <u>-</u>
 Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	 [B-2] \$ <u>1,530,888</u>	 [B-2] \$ <u>100,473</u>
 Uses/Outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 1,431,798	[C-2] \$ 100,473
 Differences - Budget to GAAP: Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial accounting purposes.	 <u>-</u>	 <u>-</u>
 Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	 [B-2] \$ <u>1,431,798</u>	 [B-2] \$ <u>100,473</u>

OTHER SUPPLEMENTARY INFORMATION

**SECTION E – SPECIAL REVENUE FUND
DETAIL STATEMENTS**

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

THE PACE CHARTER SCHOOL OF HAMILTON
Special Revenue Fund
Combining Schedule of Revenues and Expenditures
Budgetary Basis
For the Fiscal Year Ended June 30, 2012

	Title I	Title II Part A	I.D.E.A.	Total
REVENUE SOURCES:				
Federal	\$ 69,751	\$ 5,401	\$ 25,321	\$ 100,473
Total Revenues	<u>\$ 69,751</u>	<u>\$ 5,401</u>	<u>\$ 25,321</u>	<u>\$ 100,473</u>
EXPENDITURES:				
Instruction:				
Salaries of Teachers	\$ 54,000	\$ -	\$ 20,000	\$ 74,000
General Supplies	<u>1,463</u>		<u>1,321</u>	<u>2,784</u>
Total Instruction	<u>55,463</u>	<u>-</u>	<u>21,321</u>	<u>76,784</u>
Support Services:				
Personal Services - Employee Benefits	10,800		4,000	14,800
Purchased Technical Services	<u>3,488</u>	<u>5,401</u>		<u>8,889</u>
Total Support Services	<u>14,288</u>	<u>5,401</u>	<u>4,000</u>	<u>23,689</u>
Total Expenditures	<u>\$ 69,751</u>	<u>\$ 5,401</u>	<u>\$ 25,321</u>	<u>\$ 100,473</u>

**SECTION G – PROPRIETARY FUND
DETAIL STATEMENTS**

Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the Charter School's board is that the costs of providing goods or services be financed through user charges.

Food Services Fund – This fund provides for the operation of food services for the Charter School.

THIS SECTION HAS ALREADY BEEN INCLUDED IN STATEMENTS B-4, B-5, AND B-6.

**SECTION H – FIDUCIARY FUND
DETAIL STATEMENTS**

Fiduciary funds are used to account for funds received by the school district for a specific purpose.

As of June 30, 2012, there is no non-expendable trust fund utilized by the Charter School.

Agency funds are used to account for assets held by the Charter School as an agent for individuals, private organizations, other governments and/or other funds.

Payroll Agency Fund – This agency fund is used to account for the payroll transactions of the Charter School.

PACE CHARTER SCHOOL OF HAMILTON
 Fiduciary Funds
 Combining Statement of Fiduciary Net Assets
 June 30, 2012

	Agency Fund		
	Payroll Agency	Net Payroll	Total Agency
ASSETS:			
Cash and Cash Equivalents	\$ 465	\$ -	\$ 465
Interfund Accounts Receivable	-	14,509	14,509
Total Assets	\$ 465	\$ 14,509	\$ 14,974
LIABILITIES:			
Liabilities:			
Cash Overdraft	\$ -	\$ 6	\$ 6
Interfund Accounts Payable	465	-	465
Accrued Salaries and Benefits	-	14,503	14,503
Total Liabilities	\$ 465	\$ 14,509	\$ 14,974

PACE CHARTER SCHOOL OF HAMILTON
 Fiduciary Funds
 Payroll Agency Fund
 Schedule of Receipts and Disbursements

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
ASSETS:				
Cash and Cash Equivalents	\$ 471	\$ 3,409	\$ 3,415	\$ 465
Total Assets	<u>\$ 471</u>	<u>\$ 3,409</u>	<u>\$ 3,415</u>	<u>\$ 465</u>
LIABILITIES:				
Interfund Accounts Payable	471	3,409	3,415	465
Total Liabilities	<u>\$ 471</u>	<u>\$ 3,409</u>	<u>\$ 3,415</u>	<u>\$ 465</u>

**STATISTICAL SECTION
(UNAUDITED)**

GASB requires that ten years of statistical data be presented, State law usually grants charters for less than information available, Each year thereafter, an additional year's data will be included until ten years of data is presented.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the charter school's financial performance and well being have changed over time.

Revenue Capacity (Not Applicable to Charter School)

These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the charter school's current levels of outstanding debt and the charter school's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the charter school's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the charter school's financial report relates to the services the charter school provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The charter school implemented GASB Statement 34 in the fiscal year ending June 30, 2004; schedules presenting charter school-wide information include information beginning that year.

FINANCIAL TRENDS

PACE CHARTER SCHOOL OF HAMILTON
 Net Assets by Component
 Last Ten Fiscal Years
(accrual basis of accounting)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental Activities										
Unrestricted	\$ 608,050	\$ 508,960	\$ 353,245	\$ 100,018	\$ 106,086	\$ 161,462	\$ 171,047	\$ 114,273	\$ 44,967.00	\$ -
Total Governmental Activities Net Assets	<u>\$ 608,050</u>	<u>\$ 508,960</u>	<u>\$ 353,245</u>	<u>\$ 100,018</u>	<u>\$ 106,086</u>	<u>\$ 161,462</u>	<u>\$ 171,047</u>	<u>\$ 114,273</u>	<u>\$ 44,967</u>	<u>\$ -</u>
Business-Type Activities										
Unrestricted	\$ (7,669)	\$ (407)	\$ 491	\$ 688	\$ 3,824	\$ (3,871)	\$ (4,123)	(3,830)	(2,876)	(2,368)
Total Business-Type Activities Net Assets	<u>\$ (7,669)</u>	<u>\$ (407)</u>	<u>\$ 491</u>	<u>\$ 688</u>	<u>\$ 3,824</u>	<u>\$ (3,871)</u>	<u>\$ (4,123)</u>	<u>\$ (3,830)</u>	<u>\$ (2,876)</u>	<u>\$ (2,368)</u>
Charter School-wide										
Unrestricted	\$ 600,381	\$ 508,553	\$ 353,736	\$ 100,706	\$ 109,910	\$ 157,591	\$ 166,924	\$ 110,443	\$ 42,091	\$ (2,368)
Total Charter School-wide Net Assets	<u>\$ 600,381</u>	<u>\$ 508,553</u>	<u>\$ 353,736</u>	<u>\$ 100,706</u>	<u>\$ 109,910</u>	<u>\$ 157,591</u>	<u>\$ 166,924</u>	<u>\$ 110,443</u>	<u>\$ 42,091</u>	<u>\$ (2,368)</u>

Source: Charter School's Records

PACE CHARTER SCHOOL OF HAMILTON
Changes in Net Assets
For the Last Ten Fiscal Years
(accrual basis of accounting)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses										
Governmental Activities:										
Instruction	\$ 472,566	\$ 459,885	\$ 758,129	\$ 683,923	\$ 592,794	\$ 508,129	\$ 522,071	\$ 454,108	\$ 504,229	\$ 69,999
Administration	545,875	510,124	341,404	347,352	300,637	294,027	265,929	249,153	235,452	35,737
Support Services	513,830	345,492	326,510	365,445	296,894	300,077	211,411	208,999	248,079	7,715
Capital Outlay	-	-	-	1,076	-	31,996	13,935	5,447	5,969	-
Total Governmental Activities Expenses	<u>1,532,271</u>	<u>1,315,501</u>	<u>1,426,043</u>	<u>1,397,796</u>	<u>1,190,325</u>	<u>1,134,229</u>	<u>1,013,346</u>	<u>917,707</u>	<u>993,729</u>	<u>113,451</u>
Business-Type Activities:										
Food Service	51,940	41,028	54,435	39,947	57,310	65,898	27,848	38,611	30,567	49,492
Total Business-Type Activities Expenses	<u>51,940</u>	<u>41,028</u>	<u>54,435</u>	<u>39,947</u>	<u>57,310</u>	<u>65,898</u>	<u>27,848</u>	<u>38,611</u>	<u>30,567</u>	<u>49,492</u>
Total Charter School Expenses	<u>\$ 1,584,211</u>	<u>\$ 1,356,529</u>	<u>\$ 1,480,478</u>	<u>\$ 1,437,743</u>	<u>\$ 1,247,635</u>	<u>\$ 1,200,127</u>	<u>\$ 1,041,194</u>	<u>\$ 956,318</u>	<u>\$ 1,024,296</u>	<u>\$ 162,943</u>
Program Revenues										
Governmental Activities:										
Operating Grants and Contributions	\$ 3,868	\$ 18,899	\$ 18,952	\$ -	\$ -	\$ -	\$ 19,557	\$ 19,325	\$ 12,279	\$ -
Total Governmental Activities Expenses	<u>3,868</u>	<u>18,899</u>	<u>18,952</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,557</u>	<u>19,325</u>	<u>12,279</u>	<u>-</u>
Business-Type Activities:										
Charges for Services	5,594	3,095	3,667	4,916	3,035	5,544	2,719	2,785	5,625	4,982
Operating Grants and Contributions	39,084	37,035	32,571	27,887	28,286	22,468	24,697	19,435	20,437	21,805
Total Business-Type Activities Expenses	<u>44,678</u>	<u>40,130</u>	<u>36,238</u>	<u>32,803</u>	<u>31,321</u>	<u>28,012</u>	<u>27,416</u>	<u>22,220</u>	<u>26,062</u>	<u>26,787</u>
Total Charter School Program Revenue	<u>\$ 48,546</u>	<u>\$ 59,029</u>	<u>\$ 55,190</u>	<u>\$ 32,803</u>	<u>\$ 31,321</u>	<u>\$ 28,012</u>	<u>\$ 46,973</u>	<u>\$ 41,545</u>	<u>\$ 38,341</u>	<u>\$ 26,787</u>
Net (Expense)/Revenue										
Governmental Activities	\$ (1,528,403)	\$ (1,296,602)	\$ (1,407,091)	\$ (1,397,796)	\$ (1,190,325)	\$ (1,134,229)	\$ (993,789)	\$ (898,382)	\$ (981,450)	\$ (113,451)
Business-Type Activities	(7,262)	(898)	(18,197)	(7,144)	(25,989)	(37,886)	(432)	(16,391)	(4,505)	(22,705)
Total Charter School Net Expense	<u>\$ (1,535,665)</u>	<u>\$ (1,297,500)</u>	<u>\$ (1,425,288)</u>	<u>\$ (1,404,940)</u>	<u>\$ (1,216,314)</u>	<u>\$ (1,172,115)</u>	<u>\$ (994,221)</u>	<u>\$ (914,773)</u>	<u>\$ (985,955)</u>	<u>\$ (136,156)</u>
General Revenues										
Governmental Activities:										
General Purposes	\$ 263,753	\$ 299,406	\$ 229,685	\$ 211,019	\$ 207,497	\$ 222,518	\$ 322,707	\$ 310,880	\$ 312,199	\$ -
Federal and State Aid Not Restricted	1,363,740	1,152,911	1,430,213	1,180,601	924,567	892,332	720,734	655,338	622,208	-
Investment Earnings	-	-	420	108	2,069	8,727	-	-	-	-
Miscellaneous Income	-	-	-	-	-	1,067	7,122	1,470	3,417	-
Total Governmental Activities	<u>1,627,493</u>	<u>1,452,317</u>	<u>1,660,318</u>	<u>1,391,728</u>	<u>1,134,133</u>	<u>1,124,644</u>	<u>1,050,563</u>	<u>967,688</u>	<u>937,824</u>	<u>-</u>
Business-Type Activities:										
Investment Earnings	-	-	-	8	-	-	-	-	-	-
Miscellaneous Income	-	-	18,000	4,000	33,604	38,000	-	15,407	3,988	10,273
Total Business-Type Activities Expenses	<u>-</u>	<u>-</u>	<u>18,000</u>	<u>4,008</u>	<u>33,604</u>	<u>38,000</u>	<u>-</u>	<u>15,407</u>	<u>3,988</u>	<u>10,273</u>
Total Charter School Wide	<u>\$ 1,627,493</u>	<u>\$ 1,452,317</u>	<u>\$ 1,678,318</u>	<u>\$ 1,395,736</u>	<u>\$ 1,167,737</u>	<u>\$ 1,162,644</u>	<u>\$ 1,050,563</u>	<u>\$ 983,095</u>	<u>\$ 941,812</u>	<u>\$ 10,273</u>
Change in Net Assets										
Governmental Activities	\$ 99,090	\$ 155,715	\$ 253,227	\$ (6,068)	\$ (56,192)	\$ (9,585)	\$ 56,774	\$ 69,306	\$ (43,626)	\$ (113,451)
Business-Type Activities	(7,262)	(898)	(197)	(3,136)	7,615	114	(432)	(984)	(517)	(12,432)
Total Charter School	<u>\$ 91,828</u>	<u>\$ 154,817</u>	<u>\$ 253,030</u>	<u>\$ (9,204)</u>	<u>\$ (48,577)</u>	<u>\$ (9,471)</u>	<u>\$ 56,342</u>	<u>\$ 68,322</u>	<u>\$ (44,143)</u>	<u>\$ (125,883)</u>

PACE CHARTER SCHOOL OF HAMILTON
Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	608,050	508,960	353,245	100,018	106,086	161,462	171,047	114,273	44,967	39,027
Total General Fund	\$ 608,050	\$ 508,960	\$ 353,245	\$ 100,018	\$ 106,086	\$ 161,462	\$ 171,047	\$ 114,273	\$ 44,967	\$ 39,027
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

PACE CHARTER SCHOOL OF HAMILTON
 Changes in Fund Balances - Governmental Funds
 Last Ten Fiscal Years
(modified accrual basis of accounting)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues:										
Local Sources:										
State Sources	\$ 263,753	\$ 299,406	\$ 230,105	\$ 211,127	\$ 210,382	\$ 232,312	\$ 280,589	\$ 286,517	\$ 315,616	\$ 362,547
Federal Sources	1,267,135	1,067,205	1,280,206	1,067,804	836,446	789,546	711,243	621,400	537,407	484,711
Total Revenues	100,473	104,605	168,959	112,797	88,121	102,786	78,288	79,096	97,080	57,781
	1,631,361	1,471,216	1,679,270	1,391,728	1,134,949	1,124,644	1,070,120	987,013	950,103	905,039
Expenditures:										
Instruction	472,566	459,885	647,282	593,465	541,578	438,130	428,171	406,597	434,230	410,820
Administration	545,875	510,124	454,756	444,667	354,537	360,096	359,829	296,664	263,600	270,535
Support Services	513,830	345,492	324,005	358,588	293,556	304,007	211,411	208,999	240,364	165,243
Capital Outlay	-	-	-	1,076	654	31,996	13,935	5,447	5,969	71,891
Total Expenditures	1,532,271	1,315,501	1,426,043	1,397,796	1,190,325	1,134,229	1,013,346	917,707	944,163	918,489
Net Change in Fund Balance	\$ 99,090	\$ 155,715	\$ 253,227	\$ (6,068)	\$ (55,376)	\$ (9,585)	\$ 56,774	\$ 69,306	\$ 5,940	\$ (13,450)

PACE CHARTER SCHOOL OF HAMILTON
 General Fund - Other Local Revenue by Source
 Last Ten Fiscal Years
(modified accrual basis of accounting)

<u>Fiscal Year</u>	<u>Donations</u>	<u>Interest</u>	<u>Miscellaneous Revenue</u>	<u>Total</u>
2012	\$ -	\$ -	\$ -	\$ -
2011	-	-	-	-
2010	-	420	-	420
2009	-	108	-	108
2008	-	2,069	816	2,885
2007	-	8,727	1,067	9,794
2006	-	-	-	-
2005	-	-	-	-
2004	-	-	-	-
2003	-	-	-	-

Source: Charter School's Records

OPERATING INFORMATION

PACE CHARTER SCHOOL OF HAMILTON
 Full-Time Equivalent Charter School Employees by Function
 Last Eight Fiscal Years

Function	2012	2011	2010	2009	2008	2007	2006	2005
Instruction	8	11	11	10	10	10	10	10
Administrative	2	3	3	3	3	3	3	3
Support Services	4	3	3	2	2	2	2	2
Food Service	3	2	2	2	2	2	2	2
Total	<u>17</u>	<u>19</u>	<u>19</u>	<u>17</u>	<u>17</u>	<u>17</u>	<u>17</u>	<u>17</u>

Source: Charter School's Records

PACE CHARTER SCHOOL OF HAMILTON
Operating Statistics
Last Ten Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil / Teacher Ratio	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	Percent Change in Average Daily Enrollment	Student Attendance Percentage
2012	117.0	\$ 1,532,272	13,096	11.50%	8	14.62:1	113.0	109.7	-5.83%	97.08%
2011	112.0	1,315,500	11,746	-1.16%	11	10.45:1	112.0	112.0	-6.67%	100.00%
2010	120.0	1,426,043	11,884	2.10%	10	11.69:1	120.0	120.0	0.00%	100.00%
2009	120.0	1,396,720	11,639	14.37%	10	11.69:1	120.0	120.0	-3.36%	100.00%
2008	116.9	1,189,671	10,177	10.80%	10	11.69:1	116.9	116.9	-2.58%	100.00%
2007	120.0	1,102,233	9,185	7.44%	10	11.69:1	120.0	120.0	2.65%	100.00%
2006	116.9	999,411	8,549	7.77%	10	11.5:1	116.9	116.9	1.65%	100.00%
2005	115.0	912,260	7,933	0.62%	10	11.9:1	115.0	115.0	-3.36%	100.00%
2004	119.0	938,194	7,884	11.75%	N/A	N/A	119.0	119.0	-0.83%	100.00%
2003	120.0	846,598	7,055	0.25%	N/A	N/A	120.0	120.0	3.45%	100.00%

Sources: Charter School records

Note: Enrollment based on annual final Charter School count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certified staff.
- c Average daily enrollment and average daily attendance are obtained from School Register Summary (SRS).

PACE CHARTER SCHOOL OF HAMILTON
 School Building Information
 Last Ten Fiscal Years

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<u>Charter School Building</u>										
<u>Lower School</u>										
Square Feet	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Capacity (students)	120	120	120	120	120	120	120	115	119	120
Enrollment	117	112	120	120	117	120	117	115	119	120

Number of Schools at June 30, 2012
 Lower School = 1

PACE CHARTER SCHOOL OF HAMILTON

Insurance Schedule
June 30, 2012
(Unaudited)

	<u>Coverage</u>	<u>Deductible</u>
Commercial General Liability - NJ School Boards Association Insurance Group		
Products - Completed Operations Aggregate Limit	\$ 1,000,000	
Personal and Advertising Injury		
Aggregate Limit	1,000,000	
Per Occurrence	1,000,000	
Child Molestation/Sexual Abuse		
Aggregate Limit	3,000,000	
Per Occurrence	1,000,000	
Employee Benefits Liability	1,000,000	\$ 1,000
Premises Medical Payments		
Per Person	1,000	100
Per Accident	10,000	
Commercial Property - NJSBA Insurance Group		
Blanket Real and Personal Property		
Per Occurrence	485,000	1,000
Blanket Extra Expense	250,000	
Blanket Valuable Papers and Records	50,000	
EDP Coverage - NJSBA Insurance Group		
Blanket Hardware	25,000	1,000
Blanket Data, Media Software	25,000	
Blanket Extra Expense	included	
Business Automobile Coverage - NJSBA Insurance Group		
Combined Single Limit for Bodily Injury and Property Damage		
Per Accident (Hired and Non-Owned Only)	1,000,000	
Crime Coverage - NJSBA Insurance Group		
Faithful Performance Limit	25,000	500
Money and Securities Limit	-	
Errors and Omissions - Legion Insurance Company		
Aggregate Limit	1,000,000	5,000
Excess Liability - Umbrella Form - NJSBA Insurance Group		
Aggregate Limit	1,000,000	
Per Occurrence	1,000,000	
Self-Insured Retention	10,000	
Workman's Compensation - NJSBA Insurance Group		
Each Accident	5,000,000	
Disease		
Each Employee	5,000,000	
Policy Limit	5,000,000	
Boiler and Machinery - NJSBA Insurance Group		
Combined Single Limit for Property Damage and Extra Expense	100,000,000	1,000

Source: Charter School's Records

SINGLE AUDIT SECTION

BARRE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable President and
Members of the Board of Trustees
Pace Charter School of Hamilton
County of Mercer
Hamilton, New Jersey

We have audited the financial statements of Pace Charter School of Hamilton (Charter School), in the County of Mercer, State of New Jersey, as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated October 3, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey.

Internal Control over Financial Reporting

Management of the Charter School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Charter School internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Charter School's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey.

This report is intended solely for the information and use of management, audit committee, Pace Charter School of Hamilton Board of Trustees, the New Jersey State Department of Education and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.



Richard M. Barre
Licensed Public School Accountant
No. CS-01181
Barre & Company, CPA's

October 3, 2012

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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH NEW JERSEY OMB CIRCULAR 04-04**

Honorable President and
Members of the Board of Trustees
Pace Charter School of Hamilton
County of Mercer
Hamilton, New Jersey

Compliance

We have audited the compliance of the Pace Charter School of Hamilton (Charter School), in the County of Mercer, State of New Jersey, with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Charter School's major state programs for the year ended June 30, 2012. The Charter School's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state program is the responsibility of the Charter School's management. Our responsibility is to express an opinion on the Charter School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB's Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a state program occurred.

An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Charter School's compliance with those requirements.

In our opinion, the Pace Charter School of Hamilton, in the County of Mercer, State of New Jersey, complied, in all material respects, with the compliance requirements referred to above that could have direct and material effect on each of its major state programs for the fiscal year ended June 30, 2012.

Internal Control over Compliance

Management of the Charter School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered Charter School's internal control over compliance with requirements that could have a direct and material effect on a major state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with New Jersey OMB's Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses.

We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above. The Charter School's responses to the findings identified in our audit as described in the accompanying schedule of findings and questioned costs. We did not audit the Charter School's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the audit committee, the Pace Charter School of Hamilton Board of Trustees, the New Jersey State Department of Education, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read 'R. Barre', with a stylized, cursive script.

Richard M. Barre
Licensed Public School Accountant
No. CS-01181
Barre & Company, CPA's

October 3, 2012

PACE CHARTER SCHOOL OF HAMILTON
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June, 30, 2012

Federal Grantor/ Pass-through Grantor Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2011	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance at June 30, 2012		
				From	To							Accounts Receivable	Deferred Revenue	Due to Grantor
U.S. Department of Education														
Passed-through State Department of Education														
Special Revenue Fund:														
Title I	84.010	NCLB 2012	\$ 69,751	9/1/11	8/31/12	\$ -	\$ -	\$ 69,751	\$ (69,751)	\$ -	\$ -	\$ -	\$ -	\$ -
Title I Carryover	84.010	NCLB 2011	73,030	9/1/10	8/31/11	(31,586)		31,586						
Title II Part A	84.367	NCLB 2012	5,401	9/1/11	8/31/12			5,401	(5,401)					
I.D.E.A. Part B Basic	84.027	IDEA 2012	25,321	9/1/11	8/31/12	(10,950)		25,321	(25,321)					
I.D.E.A. Part B Basic Carryover	84.027	IDEA 2011	25,321	9/1/11	8/31/12			10,950						
Total Special Revenue Fund				-		(42,536)	-	143,009	(100,473)	-	-	-	-	-
U.S. Department of Agriculture														
Passed-through State Department of Education														
Enterprise Fund:														
National School Breakfast Program	10.550	N/A	12,457	7/1/11	6/30/12			12,440	(12,944)			(504)		
National School Breakfast Program	10.550	N/A	14,186	7/1/10	6/30/11	(746)		746						
National School Lunch Program	10.550	N/A	25,510	7/1/11	6/30/12			24,577	(25,510)			(933)		
National School Lunch Program	10.550	N/A	22,318	7/1/10	6/30/11	(1,393)		1,393						
Total Enterprise Fund				-		(2,139)	-	39,156	(38,454)	-	-	(1,437)	-	-
Sub-Total Federal Financial Awards				\$ -		(44,675)	\$ -	\$ 182,165	\$ (138,927)	\$ -	\$ -	\$ (1,437)	\$ -	\$ -

PACE CHARTER SCHOOL OF HAMILTON
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June, 30, 2012

State Grantor/Program Title	Grant Number	Program or Award Amount	Grant Period		Balance at June 30, 2011		Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments/ Repayment of Prior Years' Balances	Balance at June 30, 2012			MEMO
			From	To	Deferred Revenue (Accounts Receivable)	Due to Grantor					(Accounts Receivable)	Deferred Revenue	Due to Grantor	
State Department of Education:														
General Fund:														
"Local Levy" State Share - Charter School Aid	12-495-034-5120-071	\$ 1,124,772	7/1/11	6/30/12	\$ -	\$ -	\$ -	\$ 1,124,772	\$ (1,124,772)	\$ -	\$ -	\$ -	\$ -	\$ 1,124,772
Special Education Aid	12-495-034-5120-089	3,868	7/1/11	6/30/12				3,868	(3,868)					3,868
Security Aid	12-495-034-5120-084	36,057	7/1/11	6/30/12				36,057	(36,057)					36,057
Reimbursed TPAF - Pension	12-495-034-5095-006	55,459	7/1/11	6/30/12				55,459	(55,459)					55,459
Reimbursed TPAF - Social Security	12-495-034-5095-002	46,979	7/1/11	6/30/12				46,979	(46,979)					46,979
Total General Fund								1,267,135	(1,267,135)					1,267,135
State Department of Agriculture														
Enterprise Fund:														
National School Lunch Program (State Share)	12-100-010-3350-023	630	7/1/11	6/30/12				596	(630)		(34)			630
National School Lunch Program (State Share)	11-100-010-3350-023	513	7/1/10	6/30/11	(34)			34						
Total Enterprise Fund					(34)			630	(630)		(34)			630
Total State Financial Assistance					\$ (34)	\$ -	\$ -	\$ 1,267,765	\$ (1,267,765)	\$ -	(34)	\$ -	\$ -	\$ 1,267,765

PACE CHARTER SCHOOL OF HAMILTON
Notes to the Schedules of Expenditures
Of Awards and Financial Assistance
June 30, 2012

NOTE 1. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state activity of the Board of Trustees, Pace Charter School of Hamilton. The Board of Trustees is defined in Note 1 to the Board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

PACE CHARTER SCHOOL OF HAMILTON
Notes to the Schedules of Expenditures
Of Awards and Financial Assistance
June 30, 2012

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

The net adjustment to reconcile from the budgetary basis to GAAP basis is none for the general fund and none for the special revenue fund. See Note 1 (the Notes to Required Supplementary Information) for a reconciliation of the budgetary basis to the GAAP basis of accounting for the general and special revenue fund. Awards and financial assistance revenues are reported in the Charter School's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 1,267,135	\$ 1,267,135
Special Revenue Fund	100,473	-	100,473
Food Service Fund	38,454	630	39,084
Total Awards & Financial Assistance	<u>\$ 138,927</u>	<u>\$ 1,267,765</u>	<u>\$ 1,406,692</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

NOTE 5. FEDERAL AND STATE LOAN OUTSTANDING

Pace Charter School of Hamilton has no loan balances outstanding at June 30, 2012.

NOTE 6. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the Charter School for the year ended June 30, 2012. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2012.

PACE CHARTER SCHOOL OF HAMILTON
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors' report issued on financial statements	Unqualified
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Internal control over financial reporting:

1) Material weakness(es) identified? Yes X No

	Yes	X	None Reported
2) Significant deficiencies identified that are not considered to be material weaknesses?			

Noncompliance material to basic financial statements noted?	Yes	X	No

State Awards Section

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
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Auditee qualified as low-risk auditee?	X	Yes	No
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Internal control over major programs:

1) Material weakness(es) identified? Yes X No

2) Significant deficiencies identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Reported
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Type of auditors' report issued on compliance for major programs	Unqualified
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Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 04-04?	Yes	X	No
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Identification of major state programs:

GMS Number(s)

Name of State Program

12-495-034-5120-071

Local Levy – State Share

PACE CHARTER SCHOOL OF HAMILTON
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* requires reporting in a Circular A-133 audit. See paragraphs 13.15 and 13.35.

Finding

There were no matters reported.

PACE CHARTER SCHOOL OF HAMILTON
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section III – Federal Awards and State Financial Assistance
Findings and Questioned Costs

This section identifies audit findings required to be reported by NJOMB Circular Letter 04-04.

STATE AWARDS

Findings

There were no matters to report.

PACE CHARTER SCHOOL OF HAMILTON
Summary Schedule of Prior Year Audit Findings
And Questioned Costs As Prepared by Management
For the Fiscal Year Ended June 30, 2012

STATUS OF PRIOR YEAR FINDINGS

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, USOMB Circular A-133 (.315(a)(b)) and NJOMB's Circular 04-04.

Findings

There were no matters to report.